British Columbia Buildings Corporation

ANNUAL REPORT 1983
ANNUAL REPORT 1982
ANNUAL REPORT 1981
ANNUAL REPORT 1980
ANNUAL REPORT 1979
ANNUAL REPORT 1978

The British Columbia Buildings Corporation is a Crown corporation established in 1976 to bring strict accountability to the provision and allocation of government accommodation.

It is structured similar to a private sector enterprise, uses private sector accounting methods, and is totally revenue dependent. As such, it must raise operating funds by charging rent to government ministries for the space they occupy. To the maximum extent possible, the rents charged relate to the market place.

The Corporation represents a unique departure from the ministry or department approach to the provision and maintenance of accommodation for government in three important ways:

- Overall direction is vested in a Board of Directors on a basis broadly comparable with the private sector
- Operations are financed through revenue derived from charging for the space and services provided
- Capital projects are financed through borrowings and internally generated funds.

The Corporation is accountable to the Legislature through the Provincial Secretary and Minister of Government Services who is a member of the Board of Directors.

Five Year Highlights

	Year Ended March 31				
			$000's		
FINANCIAL	**1983**	1982	1981	1980	1979
Gross Revenue	**206,708**	179,114	154,019	136,886	121,707
Operating Expenses	**129,975**	121,607	105,575	94,604	86,552
Interest	**37,657**	20,540	13,718	7,198	1,670
Depreciation	**22,497**	20,246	17,681	16,742	16,258
Net Income	**16,579**	16,721	17,045	18,342	17,227
Cash Flow	**43,348**	37,058	34,726	35,084	33,485
Dividend	**—**	8,005	17,045	18,342	10,000
Total Assets	**812,210**	538,094	456,043	444,316	396,164
Return on Equity	**17.0%**	18.0%	19.7%	17.9%	14.6%
Return on Investment	**9.1%**	9.0%	8.0%	7.2%	5.9%
PROPERTIES			**Square Metres**		
Owned	**1,382,881**	1,334,991	1,244,951	1,101,695	991,369
Leased	**485,316**	434,544	410,170	356,778	334,119
Maintained	**147,273**	298,585	332,890	330,000	330,000
	1,995,470	2,068,120	1,988,011	1,788,473	1,655,488
STAFF					
Authorized Permanent Complement	**1,134**	1,180	1,208	1,233	1,244

Province of
British Columbia
OFFICE OF THE MINISTER

Ministry of
Provincial Secretary
and Government Services

Parliament Buildings
Victoria
British Columbia
V8V 1X4

June 3, 1983

The Honourable
Henry Bell-Irving, D.S.O., O.B.E., E.D.
Lieutenant-Governor of the Province
of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour to present the Annual Report of the British Columbia Buildings Corporation for the year ended March 31, 1983.

James R. Chabot

James R. Chabot
Provincial Secretary and
Minister of Government Services

President's Report

I am pleased to report on the successful fifth year of operation of the Corporation.

The 1982/83 fiscal year was highlighted by intensive initiatives to streamline corporate operations and reduce expenses, with particular attention directed to overhead costs in all areas of our business. In some respects, this was a continuation of our previous efforts, but the results achieved this year were far more dramatic than in the past. Our increased emphasis on cost reduction was in direct response to the very determined and clear policy of our shareholder, the Government of British Columbia, to restrain to a minimum the discretionary expenditures of Government and its various agencies.

As a result of our success at reducing costs, and despite a $14.3 million shortfall to budget in revenues, the Corporation was able to report a net income of $16.6 million, virtually unchanged from the previous year. The significance of this accomplishment is heightened in that it was achieved notwithstanding the Corporation's mid-year equity investment in B.C. Place Ltd. of $205 million. In fact, the Corporation's return on investment on the year's results rose from 9.0% the previous year to the forecasted level of 9.1%.

Our decision to invest in B.C. Place was made by our Board of Directors, in consultation with Government, in the belief that this exciting project represented one of the most economically and aesthetically attractive developments in North America. The Board was also convinced that the Corporation could produce the fiscal results necessary to support an investment of this magnitude before substantial dividends began to flow from the B.C. Place development. I believe that our financial results in 1982/83 have confirmed the validity of this assumption.

While cost reducing initiatives permeated every component of the organization, the most substantial savings achieved deserve highlighting, as a credit to our employees who accomplished them.

- The Corporation's authorized complement of permanent staff was reduced through attrition by a further 46 employees for an estimated annual net saving of over $1 million. To put this single year accomplishment into perspective, the Corporation ended the year operating with 1,134 employees, some 32% fewer than existed prior to its establishment. At the same time, the corporate portfolio of space, excluding B.C. Place, is 41% greater than it was in 1978. We estimate that our manpower reduction program, since start up, has resulted in a net cumulative cost avoidance of nearly $10 million.
- In this fourth year of our energy conservation program, our staff, working in close cooperation with clients, achieved an 8.7% reduction in all forms of energy consumed, for a four year total of 24.3%, representing a cumulative cost avoidance of $6.9 million. The 1982 cost avoidance of $3.3 million was so dramatic that, in spite of substantial unit cost increases in the various forms of energy purchased by the Corporation, total utility costs actually dropped by $619,000 from the previous year's level of $17.27 million. It should be noted that consumption levels under our program are adjusted to a common base to eliminate the effect of weather pattern changes from year to year.

Major projects completed during the year were generally within one or two months of original forecasts and were completed at an average 8% less cost than approved in their original budgets.

- In our search for major opportunities to reduce overhead costs, we determined that the organization was sufficiently mature to permit consolidation of the four decentralized Property Management administrative units into three. Despite the great deal of attention needed to alleviate the personal

impact on the 25 directly affected employees, by year end, we had closed down our Kamloops Regional Office and successfully amalgamated its responsibilities with those of our Prince George Regional Office. The one time costs associated with the implementation of this decision were $383,000, however, the 1983/84 budgeted net saving is $953,000 and, once attrition permits, the ongoing annual cost avoidance will rise to over $1.1 million.

- Over $500,000 a year in taxes and grants in lieu of property tax was saved through the methodical appeal of many assessments.

These major cost reduction initiatives combined with many lesser ones to limit expenses drastically. Property Management operating and maintenance costs, for example, rose by only $376,000, or 0.7%, on a base of $55.8 million the previous year.

Our challenges during 1983/84 will build on the past year's accomplishments.

The Corporation's portfolio size dropped by 3.5%. This resulted both from the transfer back to the Crown of 150,000 m^2 of college properties and from a substantial reduction in demand for space by clients as a direct result of the Government's fiscal restraint program. The decline was moderated by the commissioning of 20 major projects which had been at various stages of completion at the beginning of the year. The transfer of college properties did not reflect on the Corporation's financial results since no rental revenues had been collected on them for several years pending resolution of technicalities associated with their return to the Crown.

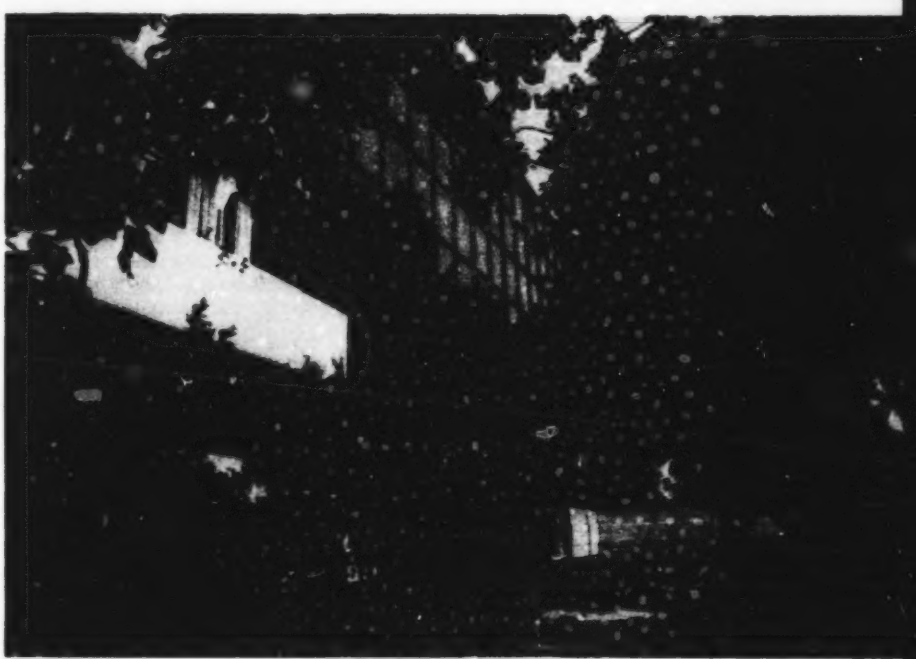
Major projects completed during the year were generally within one or two months of original forecasts and were completed at an average 8% less cost than approved in their original budgets.

In addition, 15 major projects with aggregate budgets of $137 million were in progress at year end with forecast costs to completion, relative to original budgets, running 9% favourable. A very competitive bidding climate in the industry, coupled with tight project management controls, combined to produce this positive projection.

During the year, the Corporation completed the fine tuning of its market-based pricing policy to produce a fair and disciplined approach to the cost of government space. In the current restraint environment, ministries are increasingly conscious of the cost of accommodation and are taking every opportunity to examine the quantity and quality of space and services required. Additionally, Treasury Board has utilized these market reference points as the key to setting accommodation cost reduction targets.

Toward the latter part of the year, the Honourable Hugh Curtis, in his capacity as Minister of Finance and Chairman of Treasury Board, requested that the Corporation lead an aggressive portfolio and service level review with each of its ministry clients, for the specific purpose of identifying opportunities which could produce net reductions in government occupancy costs. Coupled with this was a request that any new space allocations reflect a 10% reduction in the accommodation standards used to determine space requirements. We have implemented these requests and expect that they will result in a net saving to Government of approximately $4 million in the next fiscal year.

Our unique British Columbia model continues to attract attention in many jurisdictions throughout Canada.



Head Office—Victoria

During the fourth quarter of the year, the Corporation's head office was relocated into leased space two miles from the city core at 3350 Douglas Street, Victoria. Apart from the obvious benefits of having all staff under one roof, the move was designed to effect substantial occupancy cost reductions over the ten year term of the lease.

The Corporation's largest administrative project, the conversion of our existing computer hardware and software to Tandem Computers, showed excellent progress during the year. With conversion about 70% complete at year end, the entire project is nine months ahead of schedule and $700,000 below budget. We anticipate that the new hardware

will live up to our expectations in terms of reliability as well as cost effectiveness and will allow us to expand the availability of essential information to our clients and employees. Second only to the talent and enthusiasm of our staff, I am convinced that our emphasis on the development and use of the most modern management information systems has been the greatest single contributor to our ability to operate our growing business with greatly reduced staff levels. This current $4 milllion project is the first hardware update and system conversion since start-up and is expected to carry us into the 1990's.

Our continuing positive employee and labour relations climate was reaffirmed by the successful negotiation, with the B.C. Government Employees' Union, of a new 15 month collective agreement which expires October 31, 1983.

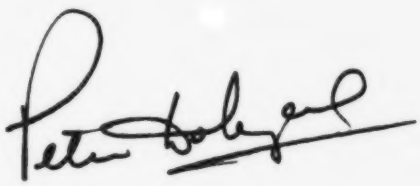
Our challenges during 1983/84 will build on the past year's accomplishments:

- We will continue to tightly manage our business by searching for opportunities to reduce costs, especially in the areas of corporate overhead. A $1 million absolute reduction relative to 82/83 actuals is sought.
- We will expand the well established client panel concept to develop an improved set of marketing oriented, client service goals and objectives.
- We will seek client cooperation to modify space and service level requirements in order to achieve the expected $4 million saving in annual occupancy costs to government.
- We will continue to reduce the number of properties being held for development in order to reduce holding costs.
- We will aim to achieve a further 4% reduction in energy consumption.
- Attrition will continue to be our vehicle for achieving further economic rationalization of staff levels.
- Our operating margin target will rise to 29.7%.

I am convinced that these ambitious objectives will be achieved despite the maintenance of excellent response times and service levels in meeting the functional accommodation requirements of our customers, the ministries of the Crown.

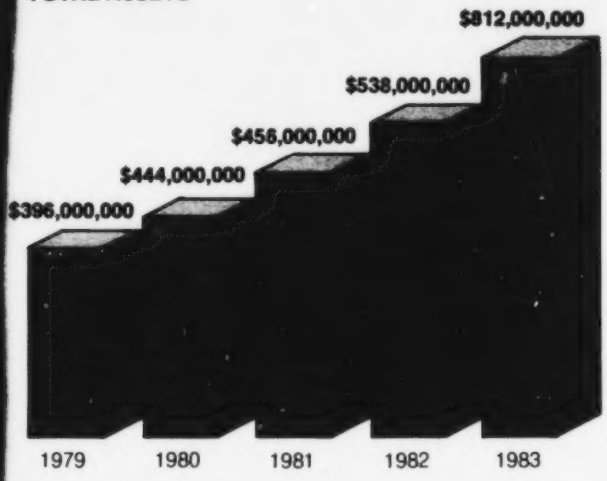
Our unique British Columbia model continues to attract attention in many jurisdictions throughout Canada. In particular, the Governments of Canada and Ontario continue to work on the establishment of revenue dependent accommodation delivery and service organizations constrained by market prices and, just recently, the Government of Quebec announced its intention to replace its Public Works organization with a corporate form quite similar to that of our Corporation.

My sincere thanks for a truly outstanding year go out to each of our employees, to our Chairman, Mr. Tom Toynbee, and to the entire Board for its direction of our efforts. My thanks also to all our clients for cooperating with us to make our various accomplishments possible, and to our shareholder, the Government of British Columbia, for having the confidence to allow the Corporation to operate in a strong private sector mode. I feel certain that, operating in this fashion, we are able to provide a more efficient and cost effective delivery of accommodation and related services to our clients than any other jurisdiction in Canada.

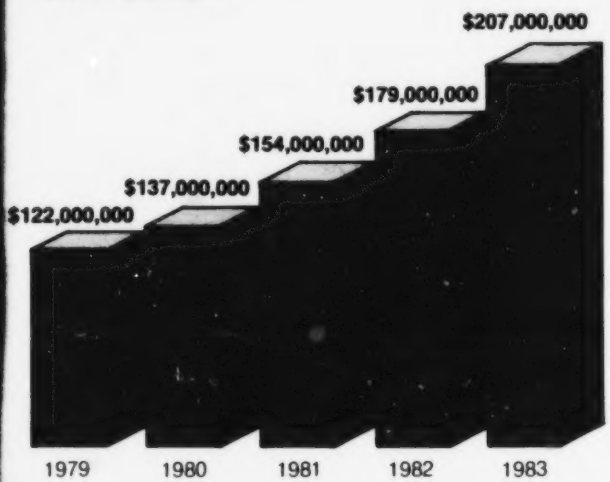


Peter Dolezal
President and Chief Executive Officer

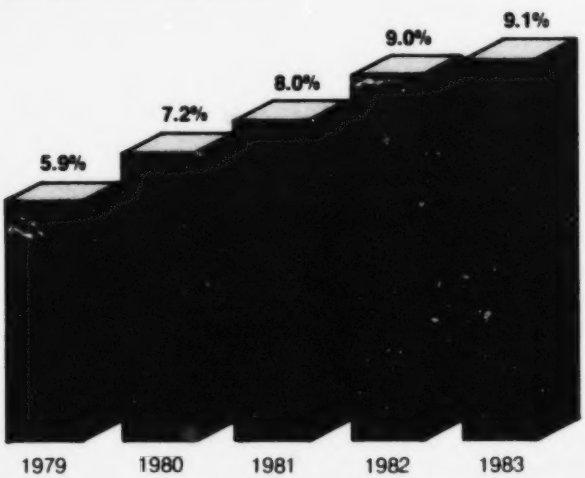
TOTAL ASSETS



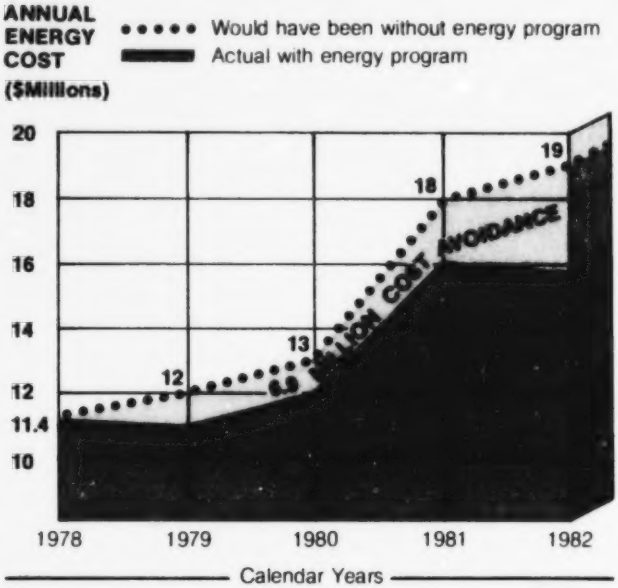
TOTAL REVENUES



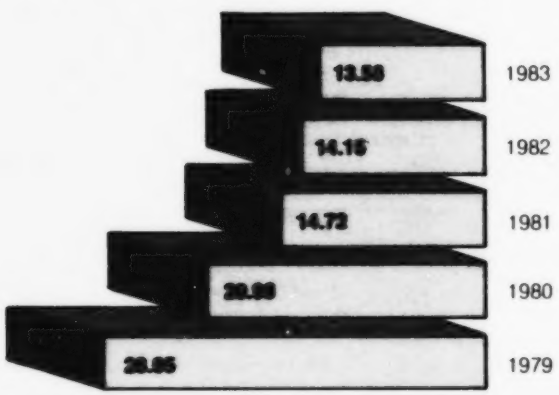
RETURN ON INVESTMENT



ANNUAL ENERGY COST ($Millions)



ACCIDENT FREQUENCY



Frequency is the number of lost time accidents per million hours worked.

Balance Sheet

	March 31	
	1983	1982
Assets	$000's	
Real estate investments		
Income-producing properties (Note 2)	**455,342**	411,063
Income-producing properties under construction (Note 3)	**56,801**	37,602
Land held for and under development (Note 4)	**15,472**	14,103
	527,615	462,768
Investment in British Columbia Place Ltd. (Note 5)	**205,000**	—
Properties held for disposition (Note 6)	**2,297**	36,102
Corporate properties and equipment (Note 7)	**10,227**	7,577
Unamortized debt discount and issue expenses	**43,767**	17,478
Other assets (Note 8)	**23,304**	14,169
	812,210	538,094
Liabilities and Equity		
Long-term debt (Note 9)	**476,794**	222,410
Notes payable to the Province of British Columbia (Note 10)	**166,788**	179,639
Other liabilities (Note 11)	**71,273**	42,902
Contributions by the Province of British Columbia (Note 12)	**63,100**	75,467
Retained earnings	**34,255**	17,676
	812,210	538,094
Commitments (Note 13)		

On Behalf of the Board

Robert E. Parkinson, Director

Dennis F. Truss, Director

The accompanying notes are an integral part of these statements.

Auditors' Report

To the Lieutenant-Governor in Council
Province of British Columbia

We have examined the balance sheet of British Columbia Buildings Corporation as at March 31, 1983 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Vancouver, British Columbia, Canada
May 13, 1983

CHARTERED ACCOUNTANTS

Statement of Income

	Year ended March 31	
	1983	1982
	$000's	
Revenue		
Rentals	**194,908**	163,925
Other income	**11,800**	15,189
	206,708	179,114
Expenses		
Property management	**54,161**	53,078
Leases	**41,396**	34,215
Depreciation and amortization	**22,497**	20,246
Utilities	**16,651**	17,270
Property taxes and grants	**8,430**	7,938
General and administrative	**9,335**	9,106
	152,472	141,853
Net income before interest	**54,236**	37,261
Interest (Note 14)	**37,657**	20,540
Net Income	**16,579**	16,721

Statement of Retained Earnings

	Year ended March 31	
	1983	1982
	$000's	
Balance, beginning of year	**17,676**	8,960
Net income	**16,579**	16,721
	34,255	25,681
Less dividend	**—**	8,005
Balance, end of year	**34,255**	17,676

The accompanying notes are an integral part of these statements.

Statement of Changes in Financial Position

Financial Resources Provided By:	Year ended March 31 1983	1982
	$000's	
Operations		
Net income	**16,579**	16,721
Charges not requiring current cash outlay		
Depreciation and amortization	**26,769**	20,337
Cash flow from operations	**43,348**	37,058
Long-term debt	**229,062**	59,631
Properties returned to the Province	**33,805**	6,038
Notes payable to the Province	**13,000**	50,000
Increase (decrease) in other liabilities	**28,371**	(4,727)
	347,586	148,000

Financial Resources Used For:		
Investment in British Columbia Place Ltd.	**205,000**	—
Real estate investments	**86,209**	94,415
Reduction of notes payable to the Province	**25,851**	36,708
Reduction of Contributions by the Province	**12,367**	2,254
Sinking funds	**5,239**	4,419
Corporate properties and equipment, net	**3,785**	3,637
Increase (decrease) in other assets, net	**9,135**	(1,468)
Dividend	**—**	8,005
	347,586	148,000

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

March 31, 1983

1. Accounting Policies

(a) Capitalization of Costs
Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation or amortization. In addition to land and direct development and construction costs, amounts capitalized as real estate investments include interest, property taxes, carrying and other related costs and the applicable portion of general and administrative expenses.

(b) Recognition of Revenue
The Corporation recognizes property income on a project basis at the earlier of 70% of occupancy or substantial completion. Prior to this date, any revenue earned on a property is deducted from the cost of construction.

(c) General Borrowings and Related Interest Charges
The interest on general borrowings attributable to income-producing properties under construction and land held for and under development is added to the cost of these assets, and the interest on general borrowings attributable to all other assets is expensed in the period to which it relates.

(d) Depreciation and Amortization
Real estate investments and corporate properties and equipment are depreciated or amortized on an individual basis by the straight-line method over their estimated useful lives or lease terms. The Corporation does not anticipate any salvage or residual values in setting its depreciation rates. Depreciation is pro-rated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

(e) Income Taxes
The Corporation is exempt from Federal and Provincial income taxes.

(f) Sinking Funds
Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(g) Amortization of Debt Discount and Issue Expenses
Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable notes.

(h) Foreign Exchange
The liability for long-term debt payable in United States currency is translated to Canadian currency at the rates of exchange prevailing at the date the debt was incurred.

2. Income-Producing Properties

	1983	1982
	$000's	
Net book value		
Cost	**545,329**	481,605
Accumulated depreciation	**(89,987)**	(70,542)
	455,342	411,063
Activity		
Net book value, beginning of year	**411,063**	350,070
Cost of properties acquired, net	**23,543**	37,000
Cost of properties transferred from income-producing properties under construction	**42,098**	43,427
Depreciation expense	**(21,362)**	(19,434)
Net book value, end of year	**455,342**	411,063

3. Income-Producing Properties Under Construction

Balance, beginning of year	**37,602**	27,536
Direct development and construction costs	**54,048**	49,040
Capitalization of interest	**3,111**	1,672
Capitalization of general and administrative expenses	**4,138**	2,781
Cost of properties completed and transferred to income-producing properties	**(42,098)**	(43,427)
Balance, end of year	**56,801**	37,602

4. Land Held For and Under Development

Balance, beginning of year	**14,103**	10,570
Capitalization of interest and property tax	**1,551**	1,406
Acquisitions (disposals), net	**(182)**	2,127
Balance, end of year	**15,472**	14,103

Notes to the Financial Statements

March 31, 1983

5. Investment in British Columbia Place Ltd.

During the year ended March 31, 1983, the Corporation acquired the only outstanding share of British Columbia Place Ltd. (B.C. Place) and made an equity investment of $205 million in that company. B.C. Place is a British Columbia Crown Corporation redeveloping a major site bordering on False Creek in Vancouver and, as it is in the development phase, all costs net of incidental revenues have been capitalized or deferred. Its summary financial position is as follows:

British Columbia Place Ltd.
Balance Sheet
March 31, 1983

Assets	**$000's**
Land and development costs	**109,635**
Stadium construction	**110,574**
Other assets	**7,714**
	227,923
Liabilities and Equity	
Accounts payable and accrued liabilities	**22,923**
Equity investment by shareholder, British Columbia Buildings Corporation	**205,000**
	227,923

Under the British Columbia Place Act, the rights of the shareholder of British Columbia Place Ltd. are exercisable by the Minister of Finance for the Province and, accordingly, the investment is accounted for in the Corporation's accounts at cost. Any future dividends declared by B.C. Place will accrue to the Corporation and will be included in income.

6. Properties Held for Disposition

During the year certain properties with a net book value of $33,805,000, which were included in the original transfer of properties from the Province to the Corporation, were returned to the Province pursuant to the terms and conditions of the Colleges and Provincial Institutes Act.

When the remaining properties are returned, Notes Payable to the Province will be reduced by $2,114,000 and Contributions by the Province will be reduced by $183,000.

The Corporation has not recorded depreciation, nor has it charged rents in connection with any of these properties since March 31, 1979.

7. Corporate Properties and Equipment	**1983**	1982
	$000's	
Corporate properties and leasehold improvements	**4,843**	4,804
Office and data processing equipment	**6,355**	3,241
Maintenance equipment	**1,897**	1,673
Vehicles	**1,607**	1,269
	14,702	10,987
Accumulated depreciation and amortization	**(4,475)**	(3,410)
	10,227	7,577

8. Other Assets		
Cash	**3,196**	—
Temporary investments	**8,000**	—
Accounts receivable		
- Province of British Columbia	**8,782**	8,361
- Other	**2,764**	4,480
Prepaid supplies and expenses	**562**	1,328
	23,304	14,169

9. Long-Term Debt

Total outstanding:

	1983			1982		
	Number of Series	Average Effective Interest Rate	Principal $000's	Number of Series	Average Effective Interest Rate	Principal $000's
Payable in Canadian currency	25	13.54%	**452,657**	16	11.98%	232,586
Payable in United States currency (US $32,000,000)	2	13.03%	**39,552**	—	—	—
			492,209			232,586
Sinking funds on deposit with the Minister of Finance, Province of British Columbia, relating to long-term debt of $224,957,000 (1982- $175,386,000)			**(15,415)**			(10,176)
			476,794			222,410

Coupon rates on the long-term debt range from 3.25% to 15.69%.

If the United States currency debt had been translated to Canadian currency at the exchange rate prevailing at March 31, 1983, the liability would not change significantly.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of $146,957,000 maturing between 1997 and 2002 may be called prior to maturity under certain conditions on six months written notice.

The Province of British Columbia has unconditionally guaranteed the principal and interest on all long-term debt issued by the Corporation.

Issues during the year ended March 31, 1983:

Series	Coupon Rate	Maturity Date		Principal
				$000's
E-1	15.25%	May 10, 2002	Cdn	**19,276**
E-2	14.96%	June 10, 2002	Cdn	**13,692**
E-3	15.38%	July 9, 2002	Cdn	**16,603**
BCD	15.50%	Sep. 8, 1987	Cdn	**100,000**
BCE	3.25%	Oct. 15, 1984	Cdn	**4,500**
BCF	6.25%	Nov. 1, 1986	Cdn	**20,000**
BCG	6.75%	Nov. 15, 1987	Cdn	**1,000**
BCH	4.75%	Dec. 15, 1987	Cdn	**30,000**
BCI	6.88%	Dec. 15, 1987	Cdn	**15,000**
BCJ	5.00%	Feb. 15, 1986	US	**12,000**
BCK	5.50%	May 9, 1986	US	**20,000**

Series BCE through BCK inclusive with an aggregate principal of Cdn $110,052,000 were issued at a significant discount to yield $80,736,000 in net proceeds at an average effective interest rate of 14.00%.

Aggregate sinking fund and principal payments on all outstanding issues for each of the next five years:

	$000's
1983/84	**4,463**
1984/85	**8,963**
1985/86	**19,295**
1986/87	**49,183**
1987/88	**161,903**

Notes to the Financial Statements

March 31, 1983

10. Notes Payable to the Province of British Columbia

	1983	1982
	$000's	
Promissory note, due August 22, 1983, bearing interest at 9.60%	**25,000**	12,000
Interest free promissory notes due March 31, 1992, callable on 30 days notice	**91,788**	117,639
Interest bearing promissory notes due June 30, 1984, redeemable or callable on 30 days notice	**50,000**	50,000
	166,788	179,639

The interest free promissory notes are payable semi-annually in varying amounts over their terms.

The notes due June 30, 1984 bear interest rates which fluctuate monthly according to the bankers' acceptance rate.

Payments on the promissory notes, excluding the 9.60% note over the next five years:

	$000's
1983/84	**11,024**
1984/85	**61,024**
1985/86	**11,024**
1986/87	**12,024**
1987/88	**11,024**

11. Other Liabilities

	1983	1982
	$000's	
Bankers' acceptances	**26,818**	—
Due to bank, unsecured	**—**	1,559
Accounts payable and accrued liabilities	**27,386**	23,352
Retentions on contracts	**5,270**	3,982
Accrued interest payable		
- Province of British Columbia	**3,574**	1,350
- Other	**8,225**	4,654
Dividend payable	**—**	8,005
	71,273	42,902

12. Contributions by the Province British Columbia

Balance, beginning of year	**75,467**	77,721
Properties returned to the Province, net	**(12,367)**	(2,254)
Balance, end of year	**63,100**	75,467

13. Commitments

The Corporation estimates that the cost to complete projects under construction will be $94,000,000 of which $58,000,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 1998, at a total aggregate net rental of approximately $151,000,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases in effect at March 31, 1983:

	$000's
1983/84	**34,000**
1984/85	**27,000**
1985/86	**20,000**
1986/87	**15,000**
1987/88	**11,000**
Post 1987/88	**44,000**
	151,000

14. Interest

	1983	1982
	$000's	
Interest expense	**52,095**	26,894
Amortization of debt discount and issue expenses	**4,272**	91
	56,367	26,985
Deduct:		
Interest assistance	**10,000**	—
Interest capitalized	**4,401**	3,293
Interest earned	**4,309**	3,152
	18,710	6,445
	37,657	20,540

The Province of British Columbia has agreed to provide assistance of up to $10 million per annum towards the interest expense incurred by the Corporation in connection with its investment in B.C. Place until the earlier of 1992 or such time as the cash flow to the Corporation from its investment exceeds the related interest expense.

15. Related Party Transactions

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown Corporation of the Province of British Columbia, and is an agent of the Crown.

The Corporation received 96% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

During the year ended March 31, 1983, the Corporation acquired additional properties from the Province and its agents. These properties had an aggregate value of $21,173,000 which was determined by reference to market values.

The B.C. Place property covers 91 hectares stretched along the north shore of False Creek in Vancouver and extends past the Granville Street Bridge (left) in the city's west end. The eastern extremity touches Vancouver's renowned Chinatown. Just past the Cambie Street Bridge (right) at the foot of Robson Street is British Columbia's newest landmark, the domed stadium.

Investment in B.C. Place

In September 1982, the Corporation made a $205 million equity investment in British Columbia Place Ltd. (B.C. Place), and now holds the only outstanding share.

The investment is long-term, and is expected to return excellent future dividends. Our investment is already fully covered by the significant increase in land values over cost realized since acquisition. To assist BCBC in this venture, the province has agreed to provide up to $10,000,000 per annum to offset interest costs until such time as the cash flow from the investment exceeds our interest payments on related borrowings.

B.C. Place has very nearly completed construction of the covered stadium with opening sports events planned for the summer of 1983.

The Future

The next major phase for B.C. Place will be immediate participation with Expo 86 in the planning and construction of the Fair site including structures that will remain a permanent part of B.C. Place. Also to commence immediately is the leasing of land for private, affordable housing; construction of public housing and health facilities for the B.C. government; and commercial and hotel developments to serve the Stadium, Expo 86 and B.C. Place. The long range plan calls for further extensive development of properties around False Creek to include such elements as a Technology Centre, Forestry Centre, a Children's World, a water activities facility and an outdoor theatre.

We are delighted with our participation in this fine urban redevelopment project, that is already recognized as one of the most ambitious of its kind in North America.

The British Columbia Buildings Corporation
The First Five Years....

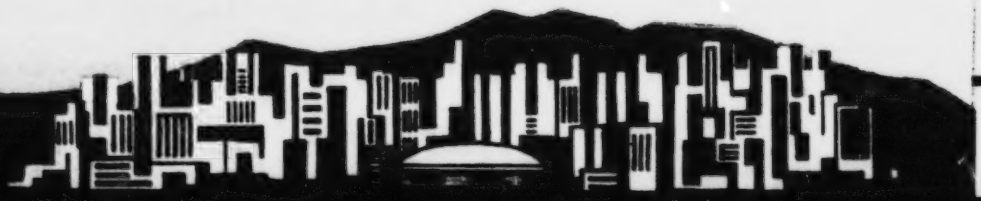
March 31, 1983 marked the close of the first five years of operation of the British Columbia Buildings Corporation. Sufficient time has now passed to critically review the degree of success of this unique B.C. initiative to bring accountability to the provision and use by Government of accommodation and related services.

The Corporation was organized so that full responsibility for its conduct was vested in a Board of up to nine Directors appointed by the Lieutenant-Governor in Council. This Board was, and continues to be, comprised of the Minister responsible, six persons appointed from the private sector, including the Chairman, and two Corporation Officers—the Chief Executive Officer and the Chief Financial Officer. For the first time, a government had delegated to an independent Board of Directors, full authority for the provision of its space requirement. This in itself was a radical approach to the solving of an accountability problem, but one, nevertheless, that has resulted in a "bottom line", business oriented organization.

It was not a universally popular move, and caused significant concern with ministries which never before had been required to budget for the cost of space or services. The Corporation represents a system designed to ensure that the user pays; a system that reflects the real cost of accommodation. Additionally, the policy of market pricing imposes accountability on the supplier of space—the Corporation—since a market based revenue stream implicitly imposes an expectation that it should be sufficient to meet operating and debt service obligations and still result in a net income which produces a market comparable return. The market cap, on what the Corporation can charge, effectively forces strict management of corporate costs to ensure that an appropriate return is maintained.

The Corporation has established market based information systems, standards and procedures that have proven to be of functional and economic advantage to its clients and to the taxpayers of the province. Many of these are now being emulated by other jurisdictions across the country.

How successful has the concept and reality of the Corporation been? The empirical evidence opposite speaks for itself.

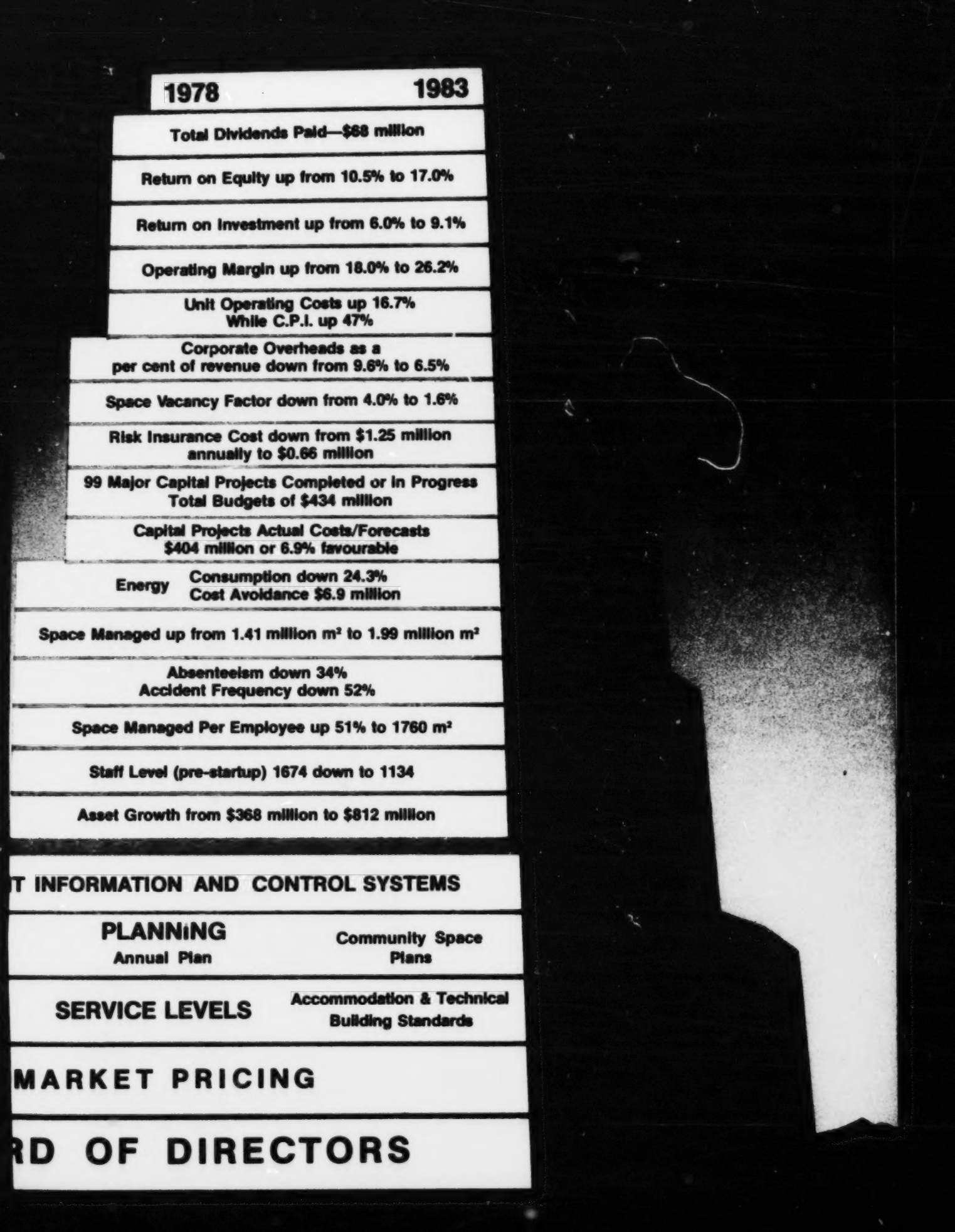


MANAGEME

Strategic (5-yr.) Plan

Client Panels

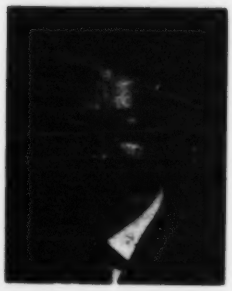
BOA


1978
1983
Total Dividends Paid—$68 million
Return on Equity up from 10.5% to 17.0%
Return on Investment up from 6.0% to 9.1%
Operating Margin up from 18.0% to 26.2%
Unit Operating Costs up 16.7%
While C.P.I. up 47%
Corporate Overheads as a
per cent of revenue down from 9.6% to 6.5%
Space Vacancy Factor down from 4.0% to 1.6%
Risk Insurance Cost down from $1.25 million
annually to $0.66 million
99 Major Capital Projects Completed or in Progress
Total Budgets of $434 million
Capital Projects Actual Costs/Forecasts
$404 million or 6.9% favourable
Energy
Consumption down 24.3%
Cost Avoidance $6.9 million
Space Managed up from 1.41 million m² to 1.99 million m²
Absenteeism down 34%
Accident Frequency down 52%
Space Managed Per Employee up 51% to 1760 m²
Staff Level (pre-startup) 1674 down to 1134
Asset Growth from $368 million to $812 million
T INFORMATION AND CONTROL SYSTEMS
PLANNiNG
Annual Plan
Community Space
Plans
SERVICE LEVELS
Accommodation & Technical
Building Standards
MARKET PRICING
RD OF DIRECTORS

Board of Directors

Thomas A. Toynbee, Chairman
Businessman
Ganges, British Columbia

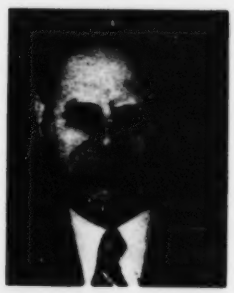
Peter Dolezal
President and Chief Executive Officer
British Columbia Buildings Corporation
Victoria, British Columbia



Honourable James R. Chabot
Provincial Secretary and
Minister of Government Services
Province of British Columbia

* Dr. Gordon M. Shrum
Vancouver, British Columbia

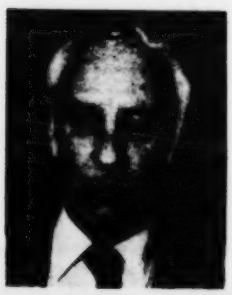
Dennis F. Truss
Vice-President Administration and
Chief Financial Officer
British Columbia Buildings Corporation
Victoria, British Columbia



* George A. Rigsby
Rigsby, Lea, Barr and Co.
Quesnel, British Columbia

* Robert E. Parkinson
Businessman
Victoria, British Columbia

* Gilbert J. Hardman
President
British Columbia Place Ltd.
Vancouver, British Columbia



Robert Watters
Retired Businessman
Vancouver, British Columbia

* members of Audit Committee

CORPORATE MANAGEMENT

President and Chief Executive Officer Peter Dolezal

General Counsel Stephan Marmash

Planning and Client Services Group
Vice-President Bryan Wilson

Departments
Client Services — Directors Bob Clemenhagen, Bill Robertson
Client Services Administration — Manager Bob Veder
Space Management — Manager Gary James
Pricing and Real Estate — Manager John Robinson

Development Group
Vice-President John Davies

Departments
Programming and Estimating — Manager Ben Vivian
Project Management — Manager Peter Moyles
Technical Standards and Research — Manager Peter McKenna

Property Management Group
Vice-President Al Kemp

Departments and Regions
Operations — Director Evan Brewer
Energy Conservation — Manager Jack Meredith
Robson Square and Vancouver Law Courts — Manager Dale Falconer
Region 1 — Director Alex Thomson
Region 2 — Director Jim Garey
Region 3 — Director Don Lyster

Administration Group
Vice-President and Chief Financial Officer Dennis Truss

Departments
Management Systems — Manager Dennis Jaques
Corporate Controller — Brian Kennedy
Leasing and Corporate Purchasing — Manager Ray Cantelon
Human Resources and Corporate Affairs — Manager Bill Heschuk
Internal Audit — Manager Mike Grannum

ADDRESSES

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AUDITORS

Peat, Marwick, Mitchell & Co.
Chartered Accountants
Vancouver, B.C.

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POOR

QUALITY

ORIGINAL